

Message Text

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ACTION EUR-12

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AMCONSUL QUEBEC

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E.O. 11652: NA
TAGS: EFIN, CA
SUBJECT: PROVINCIAL GOVERNMENT FINANCES

1. BEGIN SUMMARY: PROVINCE OF QUEBEC HAS COMPLETED DOLS 50 MILLION BOND ISSUE IN CANADA, BRINGING TOTAL FINANCING FOR YEAR TO DOLS 690 MILLION. UNDER SUPPLEMENTARY BUDGET ANNOUNCED BY FINANCE MINISTER PARIZEAU, PROVINCES TOTAL FINANCIAL REQUIREMENTS FOR YEAR ARE NOW ESTIMATED AT DOLS 865 MILLION. AS QUEBEC'S CAISSE DE DEPOT STILL HAS DOLS 200 MILLION SET ASIDE FOR PRPVINCIAL GOVERNMENT, PROVINCE COULD MEET ITS FINANCIAL REQUIREMENTS FOR CURRENT FISCAL YEAR WITHOUT RETURNING TO PUBLIC MARKET. PROVINCIAL FINANCES WERE HELPED BY UNEXPECTED DOLS 285 MILLION TRANSFER FROM FEDERA GOVERNMENT, WHICH WILL MORE THAN OFFSET SHORTFALL IN REVENUES, RESULTING FROM LOWER TAX RECEIPTS, ESTIMATED AT DOLS 180 MILLION.

CONTROL ON EXPENDITURES REMAINED TIGHT, HOWEVER, WITH INCREASE ESTIMATED AT ONLY DOLS 20 MILLION. END SUMMARY.

2. ACTING AS ITS OWN MARKETING MANAGER, PROVINCE OF QUEBEC SUCCESSFULLY COMPLETED DOLS 50 MILLION BOND ISSUE ON NOVEMBER 16.
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ISSUE WAS AVAILABLE IN THREE YEAR MATURITIES, BEARING COUPON OF 8.25 PERCENT, AND SIX YEAR MATURITIES, BEARING COUPON OF 8.50 PERCENT, AND W S OFFERED TO INSTITUTIONS WITH DISCOUNT TO YIELD 8.29 PERCENT AND 8.72 PERCENT, RESPECTIVELY. DEALERS SAY THAT INSTITUTIONAL ORDERS ACCOUNTED FOR BULD OF SALES. ISSUE FOLLOWS DOLS 100 MILLION PLACEMENT WITH CAISSE DE DEPOT IN OCTOBER, AND DOLS 60 MILLION EURO-DOLLAR USSE, ALSO IN OCTOBER. TERMS FOR CAISSE

PLACEMENT ARE NOT AVAILABLE. TERMS FOR EURODOLLAR ISSUE WERE 18 YEARS

WITH 9 PERCENT COUPON, PRICED AT 99 TO YIELD 9.12 PERCENT. IN WEAK EURODOLLAR MARKET, ISSUE HAD BEEN PARED FROM INTENDED DOLS 75 MILLION DOWN TO DOLS 60 MILLION, AND WAS FURTHER DISCOUNTED IN AFTER MARKET.

3. PROVINCE HAS NOW FINANCED TOTAL OF DOLS 690 MILLION IN CURRENT FISCAL YEAR. IN SUPPLEMENTARY BUDGET ANNOUNCED BY FINANCE MINISTER PARIZEAU DURING FIRST WEEK IN NOVEMBER, FINANCIAL REQUIREMENTS FOR CURRENT FISCAL YEAR WERE PLACED AT DOLS 865 MILLION, A REDUCTION OF DOLS 35 MILLION FROM DOLS 900 MILLION TOTAL ANNOUNCED IN APRIL BUDGET. AS PROVINCE STILL HAS DOLS 200 MILLION IN CAISSE DE DEPOT ON WHICH IT CAN DRAW, IT HAS NO NEED TO GO ON PUBLIC MARKET AGAIN TO MEET CURRENT FISCAL YEAR REQUIREMENTS.

4. GOVERNMENT FINANCIAL POSITION WAS GIVEN SUBSTANTIAL BOOST BY UNEXPECTED DOLS 285 MILLION TRANSFER FROM OTTAWA, WHICH RESULTED FROM FEDERAL GOVERNMENT'S UNDERESTIMATION OF PAYMENTS MADE TO PROVINCES UNDER SHARED COST AGREEMENTS. LEAVING ASIDE DOLS 285 MILLION WINDFALL, SUPPLEMENTARY BUDGET FIGURES SHOW THAT PROVINCIAL REVENUES WOULD HAVE DROPPED BY DOLS 180 MILLION (FROM DOLS 10,895 MILLION) DUE TO SHORTFALLS IN REVENUES FROM CORPORATE INCOME TAXES AND RETAIL SALES TAXES. GOVERNMENT WAS ABLE, HOWEVER, TO MAINTAIN TIGHT REIN ON EXPENDITURES, AS SUPPLEMENTARY BUDGET SHOWED INCREASE OF ONLY DOLS 20 MILLION FORM UNCLASSIFIED

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APRIL FIGURE OF DOLS 11,535 MILLION. BECAUSE OF SHORTFALL IN REVENUES, DEFICIT WOULD, HOWEVER, HAVE INCREASED BY DOLS 200 MILLION FROM LEVEL OF DOLS 640 MILLION FORECAST IN APRIL BUDGET. AS BUDGET NOW STANDS, DEFICIT IS EXPECTED TO AMOUNT TO DOLS 555 MILLION.

5. INCREASE OF ONLY DOLS 20 MILLION IN EXPENDITURES IS INTERESTING IN VIEW OF PRESSURE ON GOVERNMENT TO DO SOMETHING TO RELIEVE UNEMPLOYMENT IN QUEBEC, WHICH NOW STANDS AT 11.4 PERCENT AND WHICH IS EXPECTED TO RISE FURTHER DURING WINTER MONTHS. GOVERNMENT HAD EARLIER ANNOUNCED AN ECONOMIC STIMULATION PROGRAM (SEE QUEBEC 412) WHICH ENVISAGED PROVINCIAL GOVERNMENT EXPENDITURES OF DOLS 256 MILLION OVER NEXT 18 MONTHS, WITH DOLS 65 MILLION TO BE SPENT DURING CURRENT FISCAL YEAR. SUPPLEMENTARY BUDGET MAKES CLEAR, AS LIBERAL PARTY CRITICS CLAIMED, THAT STIMULATION PROGRAM FOR THIS YEAR IS LITTLE MORE THAN JUGGLING OF FORMERLY ALLOCATED, BUT UNSPENT, FUNDS.

GOVERNMENT OF QUEBEC
FISCAL YEAR 1977-78 (MAR 31)
MILLIONS OF DOLLARS

(1) (2) (3)

CURRENT WITHOUT APRIL
ACTUAL "WINDFALL" BUDGET

REVENUES	11,000	10,715	10,895
EXPENDITURES	11,555	11,555	11,535
DEFICIT	555	840	640
FINANCING REQUIREMENTS (4)	865	1,100	900
FINANCED TO DATE	690	-	-
CAISSE ALLOCATION REMAINING	200	-	-

(1) QUEBEC BUDGET ESTIMATES ANNOUNCED IN NOVEMBER SUPPLEMENTARY BUDGET, AND INCLUDING DOLS 285 MILLION TRANSFER FROM FEDERAL GOVERNMENT.

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(2) BUDGET AS IT WOULD LOOK HAD QUEBEC NOT RECEIVED DOLS 285 MILLION FORM FEDERAL GOVERNMENT.

(3) BUDGET AS ORIGINALLY ANNOUNCED IN APRIL.

(4) INCLUDES DEBT REPAYMENT.

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